

Chairman Linda W. Cropp  
at the request of the Mayor

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Chairman Linda W. Cropp, at the request of the Mayor, introduced the following  
Bill which was referred to the Committee on \_\_\_\_\_

To amend the Securities Act of 2000 to add an exemption from the securities offerings registration requirements for sales of securities to “accredited investors”; to repeal the exemption for “depository institutions” from the definition of “broker-dealer” to provide for the regulation of depository institutions that are engaged in securities transactions in the District; to amend the definition of “issuer” to strike the exemption for issuers of certificates of interest or participation in oil, gas, and mining titles or leases; to provide an exemption from the licensing requirements for certain Canadian broker-dealers conducting securities transactions in the District with Canadian residents who are preexisting clients of the Canadian broker-dealer; to correct a drafting error that failed to include an exemption from the definition of “Agent” for persons engaged in effecting transactions in certain securities permitted by the Act; to correct a drafting error in the limited offering transaction exemption; to amend a provision of the grounds for denial, suspension or revocation to change the standard from “insolvency” to the financial responsibility requirements of the federal securities laws; to authorize the Commissioner to establish continuing education requirements for investment adviser representatives; and to provide for electronic filings.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA,  
That this act may be cited as the “Securities Amendment Act of 2001”.

Sec. 2. The Securities Act of 2000, effective October 26, 2000 (D.C. Law 13-203; not yet codified), is amended to read as follows:

(a)(1) Section 101 is amended to read as follows:

“(1) “Accredited Investor” means a person who is defined in Section 2(a)(15) of the Securities Act of 1933, approved May 27, 1933 (48 Stat. 74; 15 U.S.C. § 77a *et seq.*), or any

1 other person that the Securities and Exchange Commission may so designate by rule, regulation,  
2 or order.”.

3 (2) Section 101 is amended by adding a new section 101(1A) to read as follows:

4 “(1A) “Advertisement” means a publicly disseminated, written, or printed  
5 communication, including by radio, television, internet, or other public media, used in  
6 connection with a sale or purchase, or an offer to sell or purchase, a security.”.

7 (b) Section 101(3)(A)(ii) is amended by striking the phrase “(8) or (9);” and inserting the  
8 phrase “(8), (9), or (10);” in its place.

9 (c) Section 101(4) is amended as follows:

10 (1) Subparagraph (C) is amended by striking the phrase “; or” and by inserting  
11 the phrase “to the extent the depository institution is engaged in activities in which banks are  
12 excepted from the definitions of “broker” and “dealer” by sections 3 (a)(4)(B) and 3 (a)(5)(C) of  
13 the Securities Exchange Act of 1934, approved June 6, 1934 (48 Stat. 881; 15 U.S.C. § 78a *et*  
14 *seq.*); or” in its place.

15 (2) Subparagraph (D)(i) is amended as follows:

16 (A) by striking the phrase “financial institution or institutional buyer” and  
17 inserting the phrase “financial institution or institutional investor” in its place.

18 (B) by striking the word “and” at the end of the subparagraph and  
19 inserting the word “or” in its place.

20 (3) Subparagraph (D)(ii) is amended by striking the phrase “and whose residence  
21 is not in the District”.

22 (d) Section 101 is amended by adding a new subsection (4A) to read as follows:

1           “(4A) “Canadian broker-dealer” means a broker-dealer that has its principal office in a  
2 province or territory of Canada.”.

3           (e) Section 101(13)(K) is repealed.

4           (f) Section 101(21) is amended as follows:

5                   (1) Strike the letter “(A)” in subparagraph (A).

6                   (2) Subparagraph (B) is repealed.

7           (g) A new section 210 is added to read as follows:

8           “Sec. 210. Limited registration of Canadian broker-dealers and agents.

9           “(a) If a broker-dealer is licensed under this section and its principal office is located in a  
10 province or territory of Canada that provides at least equivalent registration for a broker-dealer  
11 that is resident in the United States, a broker-dealer that is resident in Canada and does not have  
12 an office or other physical presence in the District may effect transactions in securities with or  
13 for or induce or attempt to induce the purchase or sale of a security by a person from Canada  
14 who is:

15                   “(1) temporarily resident in the District and with whom the Canadian broker-  
16 dealer had a bona fide broker-dealer-client relationship before the person entered the United  
17 States; or

18                   “(2) resident in the District and whose transactions are in a self-directed tax-  
19 advantaged retirement plan in Canada of which the person is the holder or contributor.

20           “(b) An agent who represents a Canadian broker-dealer licensed under this section may,  
21 if the agent is licensed under this section, effect transactions in securities in the District as  
22 permitted for the broker-dealer under (a) of this section.

1           “(c) Subject to the requirements of (a) of this section, a Canadian broker-dealer may be  
2 licensed under this section if the broker-dealer:

3                   “(1) files an application in the form required by the jurisdiction in which the  
4 broker-dealer has its principal office;

5                   “(2) files a written consent to service of process under section 706;

6                   “(3) is registered as a broker or dealer in good standing in the jurisdiction from  
7 which the broker-dealer is effecting transactions in to the District and files evidence of the  
8 registration; and

9                   “(4) is a member of a self-regulating organization or stock exchange in Canada.

10           “(d) An agent may become licensed under this section in order to effect transactions in  
11 securities in the District if the agent represents a Canadian broker-dealer that is licensed under  
12 this section, and the agent:

13                   “(1) files an application in the form required by the jurisdiction in which the  
14 broker-dealer has its principal office;

15                   “(2) files a written consent to service of process under section 706; and

16                   “(3) is registered and files evidence of good standing in the jurisdiction from  
17 which the agent is effecting transactions into the District.

18           “(e) If no denial order is in effect and no proceeding is pending under section 207, the  
19 license shall become no later than noon on the 30th day after an application is filed. If the  
20 application is incomplete, the Commissioner may request additional information from the  
21 applicant and delay the effective date for 30 days from the date of receipt of the request  
22 information.

23           “(f) A Canadian broker-dealer licensed under this section shall:

1                   “(1) maintain provincial or territorial registration and membership in good  
2 standing in a self-regulating organization or stock exchange;

3                   “(2) provide the Commissioner on request with books and records relating to its  
4 business in the District as a broker-dealer;

5                   “(3) inform the Commissioner promptly of any criminal action taken against the  
6 broker-dealer or of any finding or sanction imposed on the broker-dealer as a result of regulatory  
7 action, including that of a self-regulating organization, involving fraud, theft, deceit,  
8 misrepresentation, or similar conduct; and

9                   “(4) disclose to its clients in the District that the broker-dealer and its agents are  
10 not subject to the full regulatory requirements of the District.

11                  “(g) An agent of a Canadian broker-dealer licensed under this section shall:

12                   “(1) maintain provincial or territorial registration in good standing; and

13                   “(2) inform the Commissioner promptly of any criminal action taken against the  
14 agent or of any finding or sanction imposed on the broker-dealer or agent as a result of  
15 regulatory action, including that of a self-regulating organization, involving fraud, theft, deceit,  
16 misrepresentation, or similar conduct.

17                  “(h) Renewal applications for Canadian broker-dealers and agents under this section  
18 must be filed before December 1 each year and may be made by filing the most recent renewal  
19 application, if any, filed in the jurisdiction in which the broker-dealer has its principal office or,  
20 if a renewal application is not required, the most recent application filed under (c)(1) or (d)(1) of  
21 this section.

22                  “(i) An applicant for an initial license or renewal under this section shall pay the fee for  
23 broker-dealers and agents required by rules issued by the Commissioner.

1 “(j) A Canadian broker-dealer or agent licensed under this section may not effect  
2 transactions in the District except

3 “(1) as permitted under (a) or (b) of this section;

4 “(2) with or through:

5 “(A) the issuers of the securities involved in the transactions;

6 “(B) other broker-dealers; or

7 “(C) banks, savings institutions, trust companies, insurance companies,  
8 investment companies as defined in the Investment Company Act of 1940, approved August 22,  
9 1946 (54 Stat. 789; 15 U.S.C. 80a-1 *et seq.*), pension or profit-sharing trusts, or other financial  
10 institutions or institutional buyers, whether acting for themselves or as trustees; or

11 “(3) as otherwise permitted by the Commissioner in any rule or order.

12 “(k) A Canadian broker-dealer or agent licensed under this section and acting in  
13 accordance with the limitations in (j) of this section shall be exempt from all of the requirements  
14 of the Act, except the provisions of Titles V and VI.”.

15 (h) Section 207 is amended as follows:

16 (1) Subsection (a)(10) is amended to read as follows: “(10) Has failed to have  
17 and maintain the minimum net capital required by Securities and Exchange Commission Rule  
18 15c3-1, 17 C.F.R. §240.15c3-1.”.

19 (2) Subsection (a)(11) is amended by inserting the phrase “New York Stock  
20 Exchange, other self-regulatory agency, or” before the word “National”.

21 (i) A new section 212 is added to read as follows:

22 “Sec. 212. Continuing education.

1           “The Commissioner may, by rule or order, establish continuing education requirements  
2 for investment adviser representatives.”.

3           (j) Section 302(b) is amended by striking the phrase “305(c)” and by inserting the phrase  
4 “306(c)” in its place.

5           (k) Section 303(b) is amended by striking the phrase “305(c)” and by inserting the  
6 phrase “306(c)” in its place.

7           (l) Section 304(b) is amended by striking the phrase “305(c)” and by inserting the phrase  
8 “306(c)” in its place.

9           (m) Section 305 is amended as follows:

10                 (1) Subsection (a) is amended by striking the word “open” and by inserting the  
11 phrase “open-end” in its place.

12                 (2) Subsection (c)(3)(B)(iii) is amended by striking the reference to “(iii)” and by  
13 inserting the reference to “(C)”.

14           (n) Section 401(10)(A) is amended by inserting the phrase “, or” between the words  
15 “partners” and “trustees”.

16           (o) Section 401(13) is repealed.

17           (p) Section 402 is amended by adding a new paragraph (11A) to read as follows:

18                 “(11A) An offer to sell, or the sale of a security by an issuer to an accredited investor.

19           (q) Section 402(11) is amended by inserting the word “institution” after the word  
20 “financial”.

21           (r) Section 402(12)(A) is amended by striking the reference to paragraph “(2)” and by  
22 inserting a reference to subparagraph “(B)” in its place.

23           (s) Section 602(b) is amended by striking the phrase “, or his or her designee,”.

1 (t) A new Section 709 is added to read as follows:

2 “Sec. 709. Electronic filings.

3 “(a) The Commissioner may by rule or order prescribe acceptable methods for filing  
4 applications, forms, notices, prospectuses, registration statements or other documents with the  
5 Department in electronic form.

6 “(b) The Commissioner may by rule or order prescribe acceptable methods for executing  
7 electronic signatures or otherwise for documents filed with the Department in electronic form.

8 “(c) An electronic signature used in connection with an electronic filing shall have the  
9 same legal effect as a manual signature.”.

10 (u) Section 803(a) is amended by striking the word “Mayor” and replacing it with the  
11 word “Commissioner”.

12 Sec. 3. Fiscal impact statement.

13 The Council adopts the fiscal impact statement in the committee report as the fiscal  
14 impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act,  
15 approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-233 (c)(3)).

16 Sec. 4. Effective date.

17 This act shall take effect following approval by the Mayor (or in the event of veto by the  
18 Mayor, action by the Council to override the veto), approval by the Financial Responsibility and  
19 Management Assistance Authority as provided in section 203(a) of the District of Columbia  
20 Financial Responsibility and Management Assistance Act of 1995, approved April 17, 1995 (109  
21 Stat. 116; D.C. Code § 47-392.3(a)), and a 30-day period of Congressional review as provided in  
22 section 602 (c) (1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87  
23 Stat. 813; D.C. Code § 1-233(c) (1)), and publication in the District of Columbia Register.